

*Reviewing the Lecture Materials*  
(From WEEKS 4-6)

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# Reviewing the Lecture Materials (W4-W6)



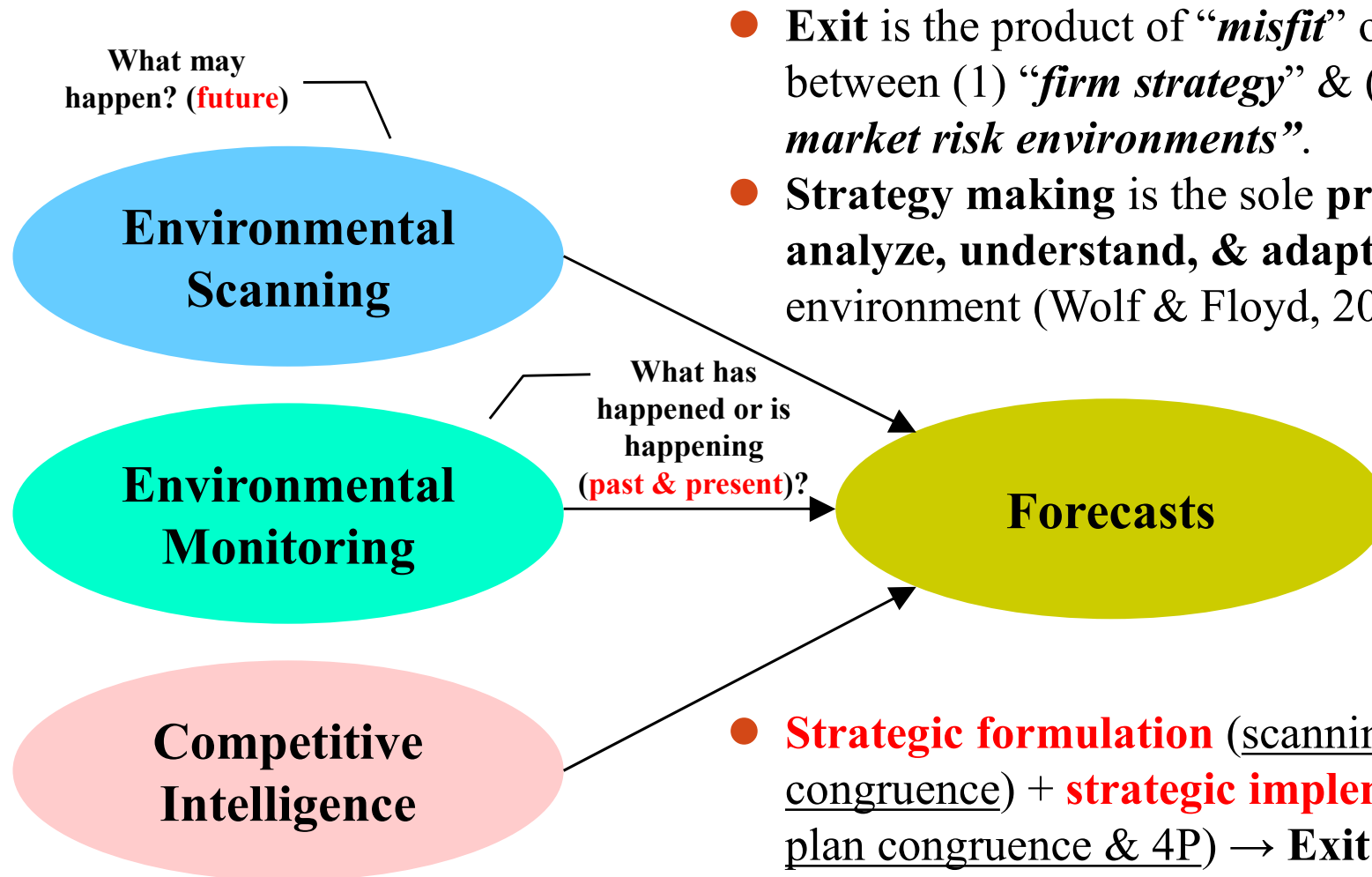
## ■ Key Topics

- ❖ **Cross-Border M&As** (*e.g.*, motives, success factors, transformational acquisition, orphan syndrome etc.)
- ❖ **De-Internationalization**
- ❖ **Expatriate-Led Knowledge Transfer**
- ❖ **HQs-Subsidiary Relations** (*e.g.*, Lundbeck in Korea)
- ❖ **Organizational Structure** (*e.g.*, Kent Chemical)
- ❖ **Emerging MNCs** (*e.g.*, Arcelik, Bharti Airtel, Xiaomi etc.)
- ❖ **Doing Business in Emerging Economies** (*e.g.*, Eli Lilly in India, McDonald's in India etc.)

# “De-Internationalization”



## ■ Inputs to Forecasting



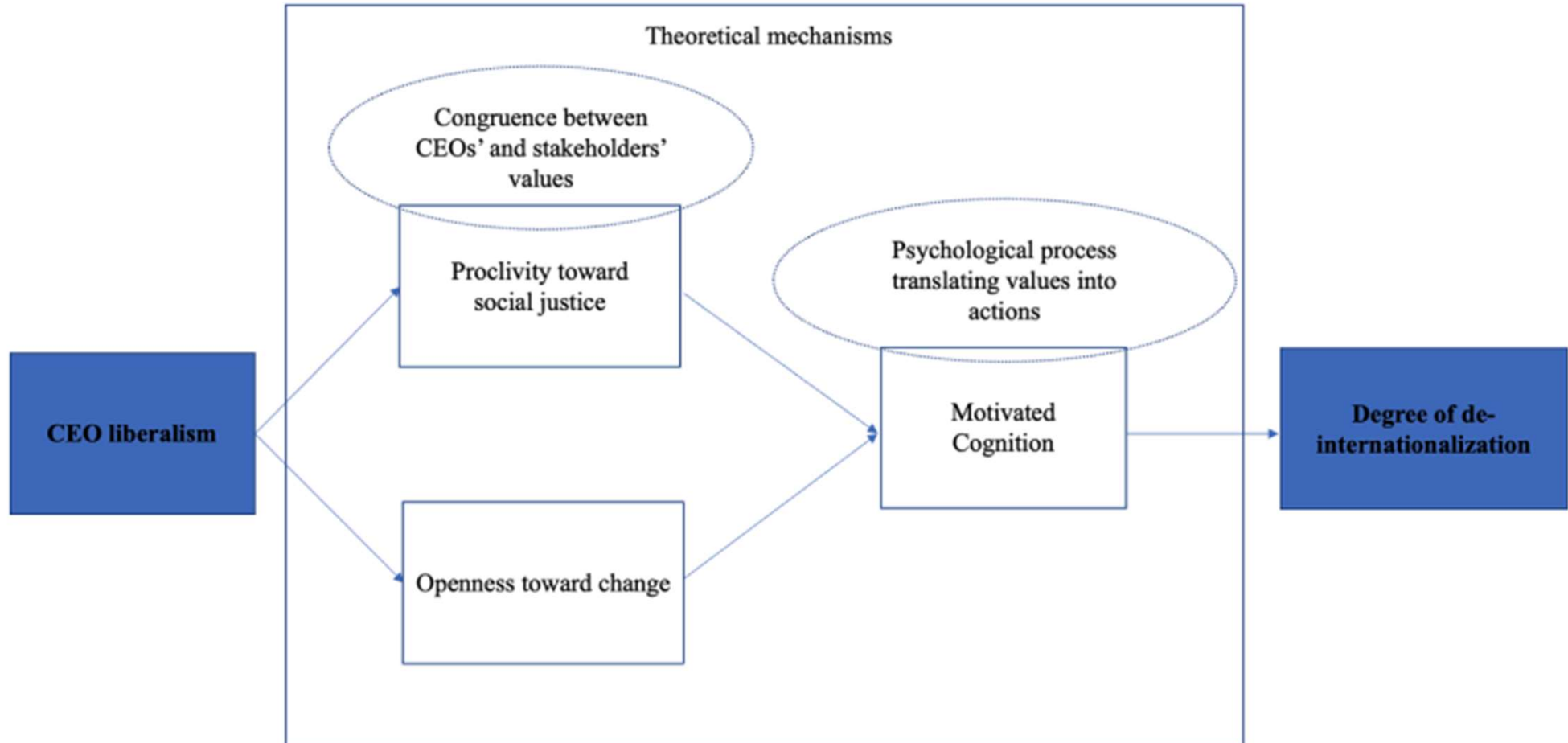
- **Exit** is the product of “*misfit*” or “*misalignment*” between (1) “*firm strategy*” & (2) “*foreign market risk environments*”.
- **Strategy making** is the sole process that firms analyze, understand, & adapt to their external environment (Wolf & Floyd, 2017).

- **Strategic formulation** (scanning & strategy congruence) + **strategic implementation** (action plan congruence & 4P) → **Exit** (↑↓)

# “De-Internationalization”



## ■ Conceptual Model



Source: Thams & Dau (2023: 5).

# “De-Internationalization”



## ■ Definition of ‘2’ Types of CEOs

### Liberal CEOs

- ... prefer change & destroy the status quo.
- ... are more likely to push for firms to be socially engaged.
- ... pay attention to the demands of multiple stakeholders.
- ... embrace moral preference for social justice, which cultivate their responsiveness & openness to to stakeholders‘ pressures.
- ... emphasize the ethical aspect of firms‘ responses to a conflict.

### Conservative CEOs

- ... preserve traditional values & resist change.
- ... believe that property rights are more important.
- ... emphasize the importance of preserving shareholder wealth.
- ... value efficient ways to allocate resources.
- *“For conservatives, the historical survival of a practice creates a prima facie case that it has served some need.”*

# “Factors for Acquisition Success & Failure”

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## ■ “Hard” Activities

- ❖ Pre-Acquisition Planning

- ❖ Holistic Due Diligence

- ❖ Robust Synergy Evaluation

## ■ “Soft” Activities

- ❖ Communicate to Stakeholders

- ❖ Top-Team Selection

# “Factors for Acquisition Success & Failure”



## ■ “Hard” Activities

### ❖ Pre-Acquisition Planning

- ... is considered as a **key factor for acquisition success**.
- **Poor acquisition planning** leads to **poor stakeholder communication** as it limits the information available for discussion.
- With **detailed/defined plans**, one can **effectively assess related resources** during due diligence.
- Understanding the **vision & plan** going forward is fundamental to **employee retention & gaining “acceptance”** & in some cases, **enthusiasm** from target employees.
- While a **robust strategy** represents the basis of a successful acquisition, **planning & synergy evaluation** are a key to **success**.

# “Factors for Acquisition Success & Failure”



## ■ “Hard” Activities

### ❖ Questions to be Addressed in Pre-Acquisition Planning

- Why are you buying the target? What are the key competences you are trying to protect & utilize?
- How far are you going to integrate the target into your existing operation? How far are you going to implement any changes?
- Are you planning on retaining key target managers?
- If there is employee overlap, how are you going to decide who stays & who goes?
- Are you going to integrate systems? Which employees will be affected? (**Survivor syndrome???**)
- Are there employees who are key to the strategic change process?



# “Factors for Acquisition Success & Failure”



## ■ “Hard” Activities

### ❖ Holistic Due Diligence

- Holistic due diligence is a way to understand what you acquire.
- It is important to know the target’s market.
- Having a deep understanding of the local market, its culture, & idiosyncrasies is a major theme when conducting your research.
- Acquiring the knowledge of the local market requires a presence on site for a considerable period of time.
- One survey participant in Hubbard’s (2013) study argues:  
*“It took 3 years of relationship building & understanding the cultural differences & the market for us to get a deal done & for them to appreciate us as a partner. My approach is to go in & see if there is a commercial or strategic relationship for us to have rather than go straight into having an acquisition talk”.*

# “Factors for Acquisition Success & Failure”



## ■ “Hard” Activities

### ❖ Robust Synergy Evaluation

- Synergies can be classified in ‘2’ ways: “Hard” & “soft” synergies
- **Operational synergies** are **cost reduction** based & achieved by removing duplication in terms of **people & systems**.
- Combining IT systems, back-office functions, & overlapping manufacturing sites & developments (*e.g.*, marketing) **all yield tangible results** that are easily quantifiable.
- **Soft synergies** are **less easily measured** & include intra-firm collaboration innovation, & resource sharing.
- **Soft synergies** are even **harder** to achieve in cases of **low degrees of integration** with the added complication of differences in **culture, geography & distance**.

# “Factors for Acquisition Success & Failure”



## ■ “Soft” Activities

### ❖ Communicate to Stakeholders

- Communication can be defined as “*not only formal verbal & written communication but also informal communication, actions, gestures, & feedback; even no communication is in itself, communication*” (Hubbard, 1999: 94).
- The **richness of communication** can be seen as a **key facilitator** in acquisitions especially when cross-collaboration between the target & rest of the acquiring organization is important (Ranft & Lord, 2002).
- **E-mail** & other impersonal communication techniques are **less effective & more open to misinterpretation** than face-to-face interactions.
- The key to **effective communication** is a **consistent & believable message to all stakeholders**.

# “Factors for Acquisition Success & Failure”



## ■ “Soft” Activities

### ❖ Top-Team Selection

- There are **countless stories of failed acquisitions** where **employees with key knowledge left the firm**.
- For example, **2/3 of Chrysler senior executives left** in the following its “merger” with **Daimler Benz** & created a void in emerging market expertise (Badrtalei & Bates, 2007).
- (1) Creating a compelling & exciting **joint vision** for the combined organization, (2) being **fair with all employees**, & (3) encouraging & motivating employees to **get emotionally involved** with the new organization were all seen as critical to success.
- One is to make sure **senior target employees have a clear understanding of expected behaviors & systems** within the newly enlarged company.

# “Factors for Acquisition Success & Failure”



## ■ Why Acquisitions Often Fail?

### Pre-acquisition: Overpayment for Targets

- > Managers **OVERESTIMATE** their ability to create value.
- > **INADEQUATE** pre-acquisition screening.
- > **POOR** strategic fit.
- > **LACK** of familiarity with foreign cultures, institutions & business systems.
- > **NATIONALISTIC** concerns against foreign takeovers (political & media levels).

### Post-acquisition: Failure in Integration

- > **POOR** organizational fit.
- > **FAILIURE** to address multiple stakeholder groups' concerns.
- > **CLASHES** of organizational cultures linked to clashes of national cultures.
- > **NATIONALISTIC** concerns against foreign takeovers (firm & employee levels).



The case of **Daimler-Chrysler**: Little organizational fit (e.g., American managers resented the dominance of German managers).

# “Factors for Acquisition Success & Failure”



Organizational Change	Nissan: Ghosn (I)	Mitsubishi: Eckrodt (II)
<p><b>Cost-cutting measures</b></p>	<ul style="list-style-type: none"> <li>• <b>Reduce</b> production capacity by closing down 5 factories.</li> <li>• <b>Breakup</b> of <i>kreiretsu</i> supplier systems.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Cut</b> material costs by 15%.</li> <li>• <b>Reduce</b> the number of platforms by 50%.</li> <li>• <b>Close down</b> a factory.</li> <li>• <b>Dump</b> inefficient suppliers.</li> <li>• <b>Selling</b> assets.</li> </ul>
<p><b>Changes in HRM practices</b></p>	<ul style="list-style-type: none"> <li>• Performance-based <b>incentive</b>.</li> <li>• <b>New hire</b> at higher entry salaries.</li> <li>• <b>Hiring</b> employees in alignment with <b>change vision</b>.</li> <li>• <b>Promotion</b> based on <b>change vision</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Elimination</b> of promotion based on seniority.</li> <li>• <b>Breaking</b> with Japanese norms of lifelong employment.</li> <li>• Appointment of <b>new, young German executives</b>.</li> </ul>
<p><b>Approaches to implementing teams</b></p>	<ul style="list-style-type: none"> <li>• Cross-company teams (CCTs).</li> <li>• Cross-functional teams (CFTs).</li> <li>• Engagement in <b>frequent meetings with CFTs &amp; management</b>.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Several small CCTs</b>, but with <b>unclearly of responsibility</b>.</li> <li>• <b>No Japanese executive</b> was involved in top management decisions.</li> </ul>

Source: Gill (2012).

# “Factors for Acquisition Success & Failure”



Leader Authenticity	Nissan: Ghosn (III)	Mitsubishi: Eckrodt (IV)
<b>Self-awareness</b>	<ul style="list-style-type: none"> <li>Ghosn was <b>aware</b> how his actions would <b>impact</b> on employees.</li> <li><b>Understanding</b> that Nissan employees would see him as an <b>outsider</b>.</li> </ul>	<ul style="list-style-type: none"> <li>Eckrodt <b>misread</b> yes as “I heard you” &gt; “I agree”)</li> <li>He <b>falsely assumed</b> that Mitsubishi managers were committed to the changes he was trying to make.</li> </ul>
<b>Balanced-processing</b>	<ul style="list-style-type: none"> <li>Ghosn was <b>friendly</b> &amp; wanted to <b>talk to people &amp; learn</b>.</li> <li>Ghosn ensured that a wide range of <b>voices were heard</b>.</li> </ul>	<ul style="list-style-type: none"> <li>Eckrodt <b>failed</b> to gather information, including <b>employee passive resistance</b>.</li> </ul>
<b>Transparency</b>	<ul style="list-style-type: none"> <li>Ghosn <b>spoke openly</b> about <b>problems &amp; results</b>.</li> <li>Worth <b>hearing dissension</b>.</li> <li><b>Communication</b> with the press.</li> </ul>	<ul style="list-style-type: none"> <li>Eckrodt <b>seldom</b> gave interviews.</li> <li>Eckrodt <b>failed</b> to generate the trust required for change.</li> </ul>
<b>Ethical/moral conduct</b>	<ul style="list-style-type: none"> <li>Ghosn’s <b>words &amp; actions</b> were <b>consistent</b>; role model/clear strategy/rigorous execution.</li> </ul>	<ul style="list-style-type: none"> <li>Plans were <b>not consistently executed</b>; too laid back &amp; informal; <b>marionetts</b> by HQs.</li> </ul>

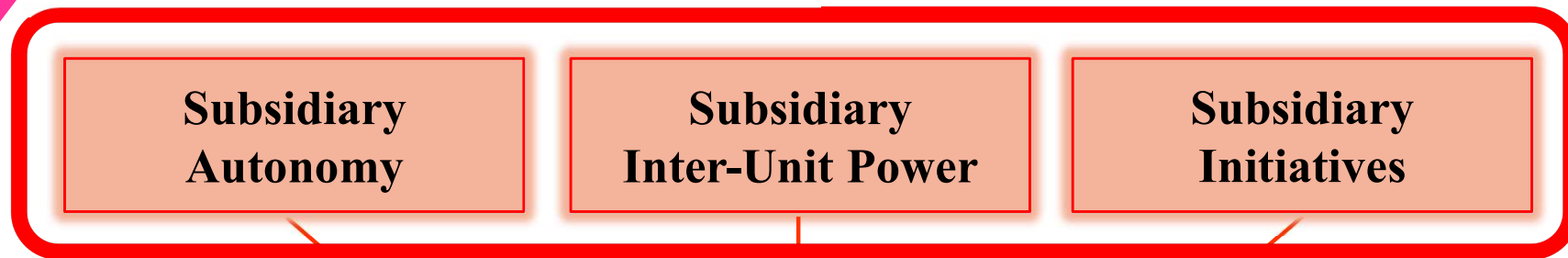
Source: Gill (2012).

# “HQs-Subsidiary Relations”

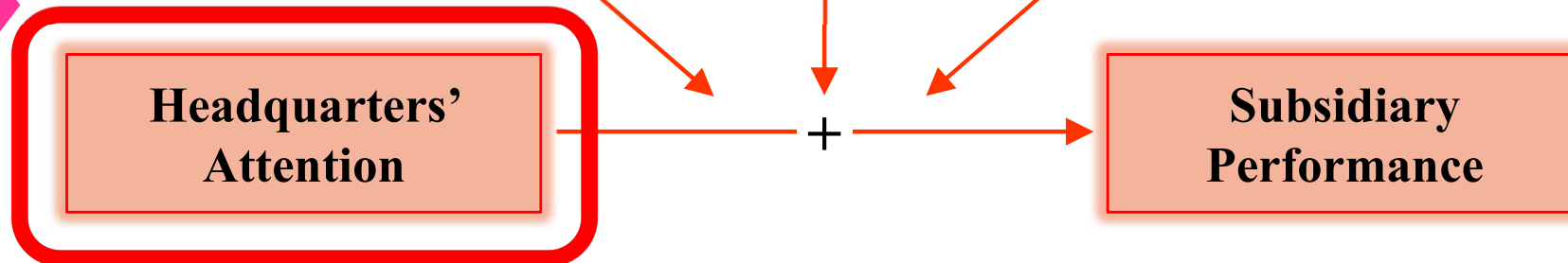


## ■ Conceptual Framework

### ➔ Strategic Configurations



### ➔ A Scarce Resource

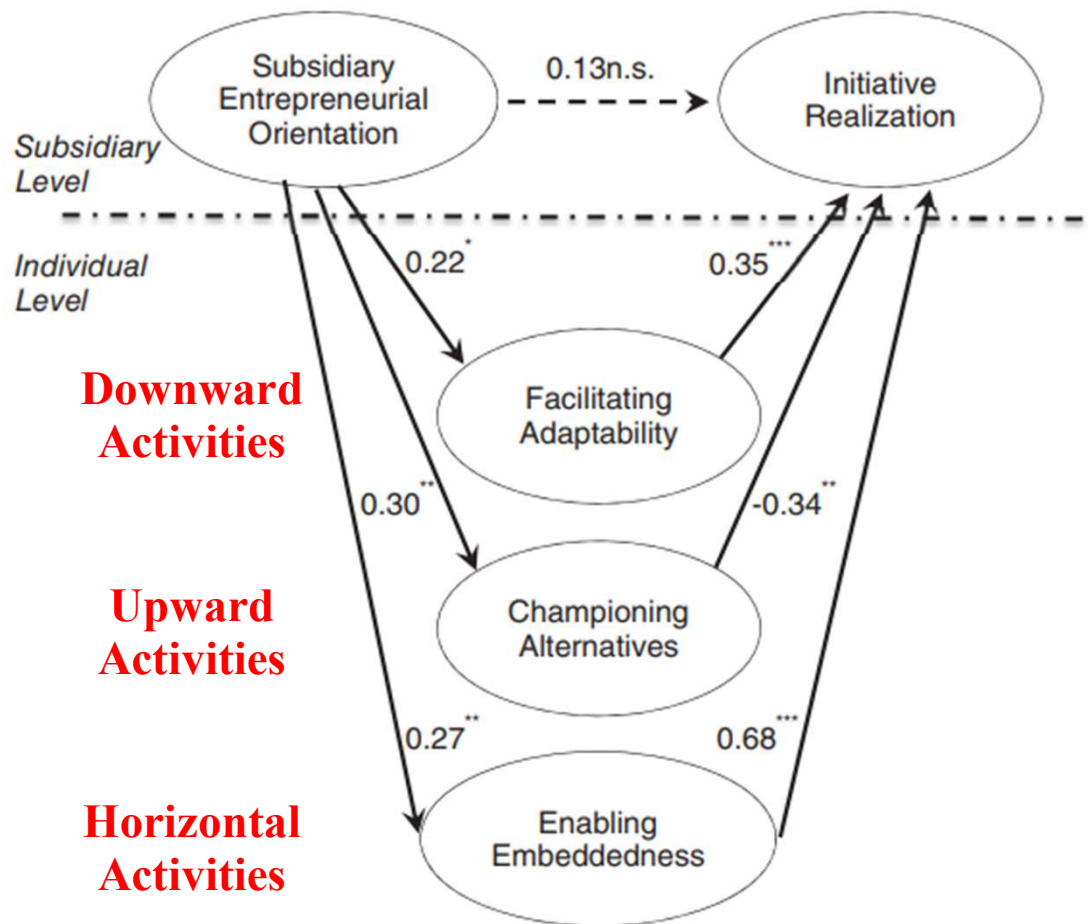




# “HQs-Subsidiary Relations”



## ■ How Do Subsidiary CEOs Unlock Entrepreneurship?



Source: O'Brien et al. (2018: 15) in *Global Strategy Journal*.

### COMMENTS

#### Facilitating Adaptability

- Mobilize their employees & create an entrepreneurial space by preventing such activities from interference by corporate-level management.

#### Championing Alternatives

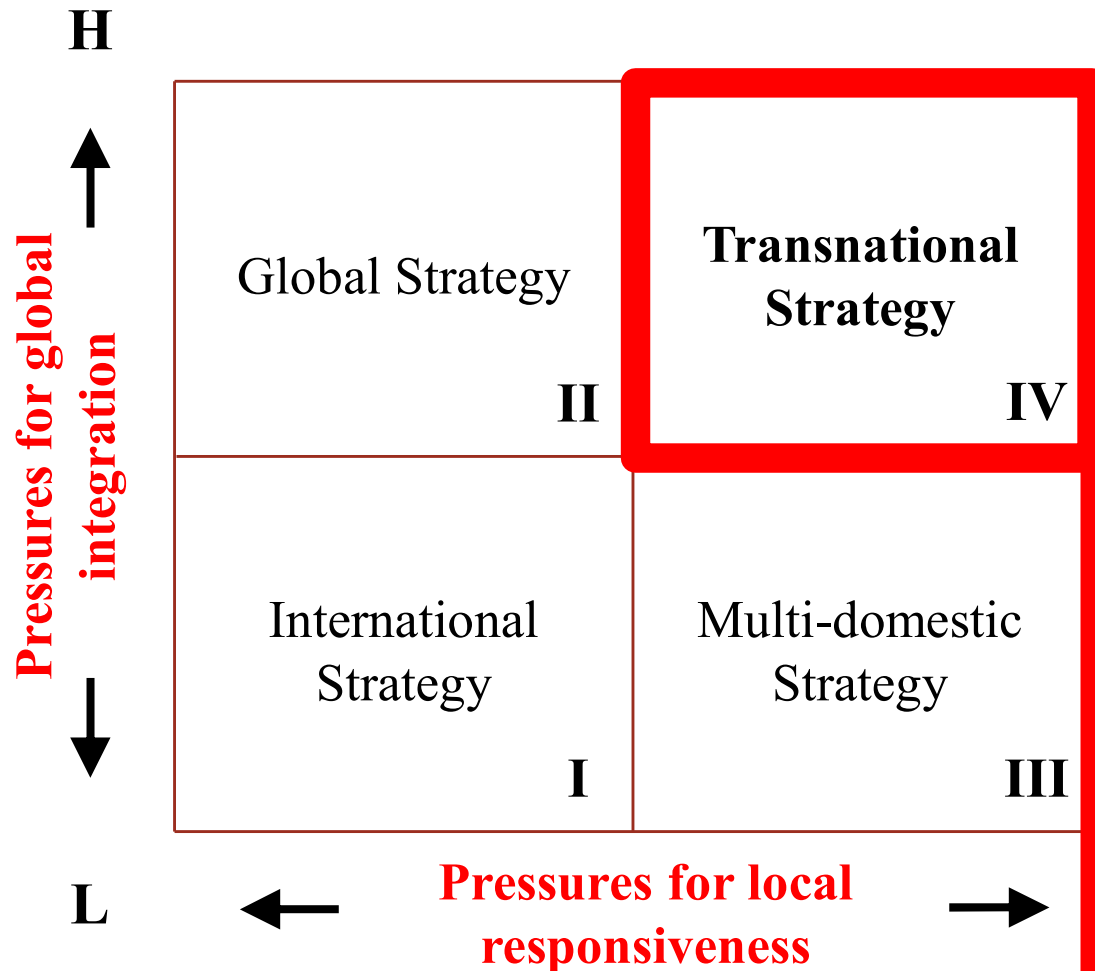
- Identify the value of an idea & bring it to HQs' attention.
- Engage in issue selling & winning top managers' support for particular issues to attract HQ' attention.

#### Enabling Rmbeddedness

- Access information on future market trends & novel ideas & monitor competitors via engagement with customers & suppliers, managers.

# “Expatriate-Led Knowledge Transfer”

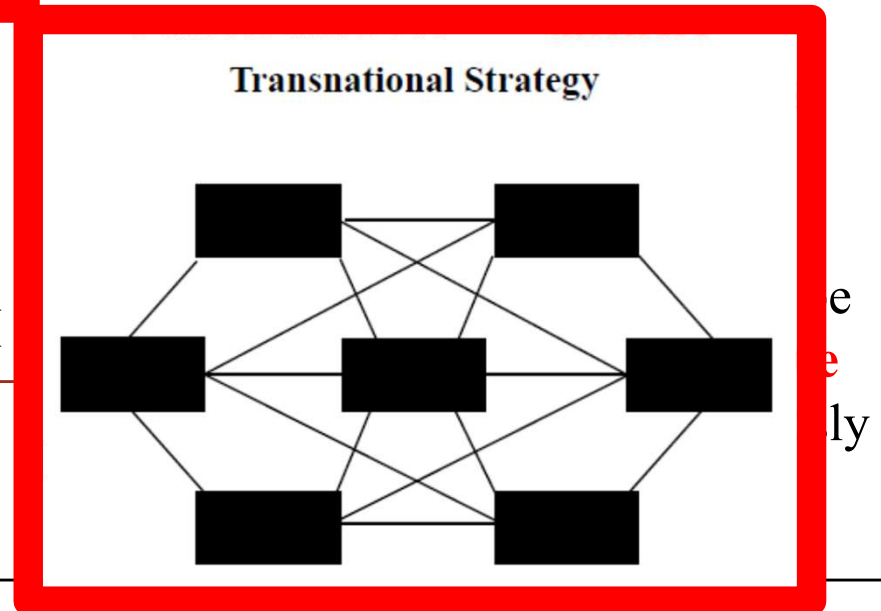
## ■ Hypotheses 4a & 4b (Bartlett & Ghoshal’s GI-LR Model)



### COMMENTS

Quadrant I: ... leverages home country-based **core competencies**.

Quadrants II: ... champions **worldwide consistency & standardization**.



Source: Own illustration based on Bartlett & Ghoshal (1989).

# “Expatriate-Led Knowledge Transfer”



## ■ Knowledge Management in ‘4’ Types of MNCs

Strategy	Home replication	Localization	Global standardization	Transnational
<b>Interdependence</b>	<b>Moderate</b>	<b>Low</b>	<b>Moderate</b>	<b>High</b>
<b>Role of foreign subsidiaries</b>	Adapting & leveraging parent <b>company competencies</b>	Sensing & exploiting <b>local opportunities</b>	Implementing <b>parent company initiatives</b>	Differentiated roles by subsidiaries to <b>integrate</b> worldwide operations
<b>Development &amp; diffusion</b>	<i>Knowledge</i> developed at the <b>centre</b> & transferred <b>to subsidiaries</b>	<i>Knowledge</i> developed & retained within <b>each subsidiary</b>	<i>Knowledge</i> mostly developed & retained at the <b>centre &amp; key sites</b>	<i>Knowledge</i> developed <b>jointly &amp; shared worldwide</b>
<b>Flow of knowledge</b>	Extensive flow of <i>knowledge</i> & people <b>from HQs to subsidiaries</b>	<b>Limited flow</b> of <i>knowledge</i> & people in both directions	Extensive flow of <i>knowledge</i> & people <b>from centre &amp; key locations to subsidiaries</b>	Extensive flow of <i>knowledge</i> & people in <b>multiple directions</b>

# The End of Today's Lecture



ご清聴有難う御座いました。

**Thank you so much!**

**Vielen Dank für Ihre Aufmerksamkeit!**

**Grazie mille !**

## **【Contact Address】**

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